

INITIATIVE 649

I, Ralph Munro, Secretary of State of the State of Washington and custodian of its seal, hereby certify that, according to the records on file in my office, the attached copy of Initiative Measure No. 649 to the People is a true and correct copy as it was received by this office.

1 AN ACT Relating to health care reform improvement; adding a new
2 section to chapter 70.47 RCW; adding new sections to chapter 48.43 RCW;
3 adding a new chapter to Title 48 RCW; creating new sections; repealing
4 RCW 18.130.320, 18.130.330, 43.72.005, 43.72.010, 43.72.020, 43.72.030,
5 43.72.040, 43.72.050, 43.72.060, 43.72.070, 43.72.080, 43.72.090,
6 43.72.100, 43.72.110, 43.72.120, 43.72.130, 43.72.140, 43.72.150,
7 43.72.160, 43.72.170, 43.72.180, 43.72.190, 43.72.210, 43.72.220,
8 43.72.225, 43.72.230, 43.72.240, 43.72.300, 43.72.310, 43.72.800,
9 43.72.810, 43.72.820, 43.72.830, 43.72.840, 43.72.850, 43.72.860,
10 43.72.870, 48.01.200, 48.43.010, 48.43.020, 48.43.030, 48.43.040,
11 48.43.050, 48.43.060, 48.43.070, 48.43.080, 48.43.090, 48.43.100,
12 48.43.110, 48.43.120, 48.43.130, 48.43.140, 48.43.150, 48.43.160,
13 48.43.170, 48.01.210, 48.20.540, 48.21.340, 48.44.480, 48.46.550,
14 48.42.060, 48.42.070, 48.42.080, 70.170.100, 70.170.110, 70.170.120,
15 70.170.130, 70.170.140, 48.44.490, and 48.46.560; and providing an
16 effective date.

17 BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

18 NEW SECTION. **Sec. 1.** This act shall be known as the health care
19 simplification act. The purpose of this act is to:

1 (1) Expand enrollment in the basic health plan for the uninsured
2 with priority given to children;

3 (2) Establish the option of health care savings accounts to provide
4 incentives for the consumer to be responsible for the use and cost of
5 their health services, to preserve provider choice, and to promote
6 savings for long-term care needs;

7 (3) Require the portability of health insurance;

8 (4) Improve individual and group access to needed health care
9 benefits by limiting the use of preexisting condition limitations and
10 exclusions;

11 (5) Require the guaranteed issue and renewability of health care
12 plans; and

13 (6) Repeal much of the 1993 health care act to eliminate mandates
14 that require managed health care, individual and employer mandates,
15 health system information system, geographic-based community rating,
16 and the health services commission and duties.

17 NEW SECTION. **Sec. 2.** A new section is added to chapter 70.47 RCW
18 to read as follows:

19 BASIC HEALTH PLAN--EXPANDED ENROLLMENT. (1) The people find that
20 the basic health plan has been an effective program in providing health
21 coverage for uninsured residents. Further, since 1993, substantial
22 amounts of public funds have been allocated for subsidized basic health
23 plan enrollment.

24 (2) It is the intent of the people that the basic health plan
25 enrollment be expanded expeditiously, consistent with funds available
26 in the health services account, with the goal of one hundred thirty
27 thousand subsidized enrollees by June 30, 1997, with the priority of
28 providing needed health services to children in conjunction with other
29 public programs.

30 (3) Effective January 1, 1996, basic health plan enrollees whose
31 income is less than one hundred twenty-five percent of the federal
32 poverty level shall pay no premium share.

33 (4) No later than July 1, 1996, the administrator shall implement
34 procedures whereby hospitals licensed under chapters 70.41 and 71.12
35 RCW, rural health care facilities regulated under chapter 70.175 RCW,
36 and community and migrant health centers funded under RCW 41.05.220,
37 may, at no remuneration, expeditiously assist patients and their
38 families in applying for basic health plan or medical assistance

1 coverage, and in submitting such applications directly to the health
2 care authority or the department of social and health services. The
3 health care authority and the department of social and health services
4 shall make every effort to simplify and expedite the application and
5 enrollment process.

6 (5) No later than July 1, 1996, the administrator shall implement
7 procedures whereby health insurance agents and brokers, licensed under
8 chapter 48.17 RCW, may, at no remuneration, expeditiously assist
9 patients and their families in applying for basic health plan or
10 medical assistance coverage, and in submitting such applications
11 directly to the health care authority or the department of social and
12 health services. The health care authority and the department of
13 social and health services shall make every effort to simplify and
14 expedite the application and enrollment process.

15 NEW SECTION. **Sec. 3.** HEALTH CARE SAVINGS ACCOUNTS. (1) This
16 chapter shall be known as the health care savings account act.

17 (2) The people recognize that the costs of health care are
18 increasing rapidly and most individuals are removed from participating
19 in the purchase of their health care.

20 As a result, it becomes critical to encourage and support solutions
21 to alleviate the demand for diminishing state resources. In response
22 to these increasing costs in health care spending, the people intend to
23 clarify that health care savings accounts may be offered as health
24 benefit options to all residents as incentives to reduce unnecessary
25 health services utilization, administration, and paperwork, and to
26 encourage individuals to be in charge of and participate directly in
27 their use of service and health care spending. To alleviate the
28 possible impoverishment of residents requiring long-term care, health
29 care savings accounts may promote savings for long-term care and
30 provide incentives for individuals to protect themselves from financial
31 hardship due to a long-term health care need.

32 (3) Health care savings accounts are authorized in Washington state
33 as options to employers and residents.

34 NEW SECTION. **Sec. 4.** HEALTH CARE SAVINGS ACCOUNTS--REQUEST FOR
35 TAX EXEMPTION. The governor and responsible agencies shall:

36 (1) Request that the United States congress amend the internal
37 revenue code to treat premiums and contributions to health benefits

1 plans, such as health care savings account programs, basic health
2 plans, conventional and standard health plans offered through a health
3 carrier, by employers, self-employed persons, and individuals, as fully
4 excluded employer expenses and deductible from individual adjusted
5 gross income for federal tax purposes.

6 (2) Request that the United States congress amend the internal
7 revenue code to exempt from federal income tax interest that accrues in
8 health care savings accounts until such money is withdrawn for
9 expenditures other than eligible health expenses as defined in law.

10 (3) If all federal statute or regulatory waivers necessary to fully
11 implement this chapter have not been obtained by the effective date of
12 this section, this act shall remain in effect.

13 NEW SECTION. **Sec. 5.** INSURANCE REFORM--DEFINITIONS. Unless
14 otherwise specifically provided, the definitions in this section apply
15 throughout this chapter.

16 (1) "Health carrier" or "carrier" means a disability insurer
17 regulated under chapter 48.20 or 48.21 RCW, fraternal benefit societies
18 regulated under chapter 48.36A RCW, a health care service contractor as
19 defined in RCW 48.44.010 or a health maintenance organization as
20 defined in RCW 48.46.020.

21 (2) "Health care service" means that service offered or provided by
22 health care facilities and health care providers relating to the
23 prevention, cure, or treatment of illness, injury, or disease.

24 (3) "Health plan" means any policy, contract, or agreement offered
25 by a health carrier to provide, arrange, reimburse, or pay for health
26 care service except the following:

27 (a) Long-term care insurance governed by chapter 48.84 RCW;

28 (b) Medicare supplemental health insurance governed by chapter
29 48.66 RCW;

30 (c) Limited health care service offered by limited health care
31 service contractors in accordance with RCW 48.44.035;

32 (d) Disability income;

33 (e) Coverage incidental to a property/casualty liability insurance
34 policy such as automobile personal injury protection coverage and
35 homeowner guest medical;

36 (f) Workers' compensation coverage; and

37 (g) Accident only coverage.

(4) "Covered person" means a person covered by a health plan including an enrollee, subscriber, policyholder, beneficiary of a group plan, or individual covered by any other health plan.

(5) "Preexisting condition" means any medical condition, illness, or injury that existed any time prior to the effective date of coverage.

NEW SECTION. **Sec. 6.** INSURANCE REFORM--PORTABILITY. (1) Every health carrier shall waive any preexisting condition exclusion or limitation for persons or groups who had similar health coverage under a different health plan at any time during the three-month period immediately preceding the date of application for the new health plan if such person was continuously covered under the immediately preceding health plan. If the person was continuously covered for at least three months under the immediately preceding health plan, the carrier may not impose a waiting period for coverage of preexisting conditions. If the person was continuously covered for less than three months under the immediately preceding health plan, the carrier must credit any waiting period under the immediately preceding health plan toward the new health plan. For the purposes of this subsection, a health plan includes an employer provided self-funded health plan.

(2) Nothing contained in this section requires a health carrier to amend a health plan to provide new benefits in its existing health plans. In addition, nothing in this section requires a carrier to waive benefit limitations not related to an individual or group's preexisting conditions or health history. A waiting period may be applied for use of a particular benefit imposed equally upon all covered persons without regard to health condition.

NEW SECTION. **Sec. 7.** INSURANCE REFORM--PREEXISTING CONDITIONS. (1) No carrier may reject an individual for health plan coverage based upon preexisting conditions of the individual and no carrier may deny, exclude, or otherwise limit coverage for an individual's preexisting health conditions; except that a carrier may impose a three-month benefit waiting period for preexisting conditions for which medical advice was given, or for which a health care provider recommended or provided treatment within three months before the effective date of coverage.

(2) No carrier may avoid the requirements of this section through the creation of a new rate classification or the modification of an existing rate classification. A new or changed rate classification will be deemed an attempt to avoid the provisions of this section if the new or changed classification would substantially discourage applications for coverage from individuals or groups who are higher than average health risks. These provisions apply only to individuals who are Washington residents as defined in law.

NEW SECTION. **Sec. 8.** INSURANCE REFORM--GUARANTEED ISSUE. (1) Except as provided in subsection (4) of this section, all health plans shall contain or incorporate by endorsement, a guarantee of the continuity of coverage of the plan.

(2) For the purposes of this section, a plan is "renewed" when it is continued beyond the earliest date upon which, at the carrier's sole option, the plan could have been terminated for other than nonpayment of premium. In the case of group plans, the carrier may consider the group's anniversary date as the renewal date for purposes of complying with the provisions of this section.

(3) The guarantee of continuity of coverage required in health plans shall not prevent a carrier from canceling or nonrenewing a health plan for:

(a) Nonpayment of premium;

(b) Violation of published policies of the carrier approved by the insurance commissioner;

(c) Covered persons entitled to become eligible for medicare benefits by reason of age who fail to apply for a medicare supplement plan or medicare cost, risk, or other plan offered by the carrier pursuant to federal laws and regulations;

(d) Covered persons who fail to pay any deductible or copayment amount owed to the carrier and not the provider of health care services;

(e) Covered persons committing fraudulent acts as to the carrier;

(f) Covered persons who materially breach the health plan; or

(g) Change or implementation of federal or state laws that no longer permit the continued offering of such coverage.

(4) The provisions of this section do not apply to health plans deemed by the insurance commissioner to be unique or limited or have a short-term purpose, after a written request for such classification by

1 the carrier and subsequent written approval by the insurance
2 commissioner.

3 NEW SECTION. **Sec. 9.** REPEALERS. The following acts or parts of
4 acts are each repealed:

5 (1) RCW 18.130.320 and 1993 c 492 s 408;

6 (2) RCW 18.130.330 and 1994 c 102 s 1 & 1993 c 492 s 412;

7 (3) RCW 43.72.005 and 1993 c 492 s 401;

8 (4) RCW 43.72.010 and 1994 c 4 s 1, 1993 c 494 s 1, & 1993 c 492 s
9 402;

10 (5) RCW 43.72.020 and 1994 c 154 s 311 & 1993 c 492 s 403;

11 (6) RCW 43.72.030 and 1993 c 492 s 405;

12 (7) RCW 43.72.040 and 1994 c 4 s 3, 1993 c 494 s 2, & 1993 c 492 s
13 406;

14 (8) RCW 43.72.050 and 1993 c 492 s 407;

15 (9) RCW 43.72.060 and 1994 c 4 s 2 & 1993 c 492 s 404;

16 (10) RCW 43.72.070 and 1993 c 492 s 409;

17 (11) RCW 43.72.080 and 1993 c 492 s 425;

18 (12) RCW 43.72.090 and 1993 c 492 s 427;

19 (13) RCW 43.72.100 and 1993 c 492 s 428;

20 (14) RCW 43.72.110 and 1993 c 492 s 429;

21 (15) RCW 43.72.120 and 1993 c 492 s 430;

22 (16) RCW 43.72.130 and 1993 c 492 s 449;

23 (17) RCW 43.72.140 and 1993 c 492 s 450;

24 (18) RCW 43.72.150 and 1993 c 492 s 451;

25 (19) RCW 43.72.160 and 1993 c 492 s 452;

26 (20) RCW 43.72.170 and 1993 c 492 s 453;

27 (21) RCW 43.72.180 and 1993 c 492 s 454;

28 (22) RCW 43.72.190 and 1993 c 492 s 455;

29 (23) RCW 43.72.210 and 1993 c 492 s 463;

30 (24) RCW 43.72.220 and 1993 c 494 s 3 & 1993 c 492 s 464;

31 (25) RCW 43.72.225 and 1994 c 4 s 4;

32 (26) RCW 43.72.230 and 1993 c 492 s 465;

33 (27) RCW 43.72.240 and 1993 c 494 s 4 & 1993 c 492 s 466;

34 (28) RCW 43.72.300 and 1993 c 492 s 447;

35 (29) RCW 43.72.310 and 1993 c 492 s 448;

36 (30) RCW 43.72.800 and 1993 c 492 s 457;

37 (31) RCW 43.72.810 and 1993 c 492 s 474;

38 (32) RCW 43.72.820 and 1993 c 492 s 475;

1 (33) RCW 43.72.830 and 1993 c 492 s 476;
2 (34) RCW 43.72.840 and 1993 c 492 s 478;
3 (35) RCW 43.72.850 and 1993 c 492 s 485;
4 (36) RCW 43.72.860 and 1993 c 492 s 486;
5 (37) RCW 43.72.870 and 1993 c 494 s 5;
6 (38) RCW 48.01.200 and 1993 c 492 s 294;
7 (39) RCW 48.43.010 and 1993 c 492 s 432;
8 (40) RCW 48.43.020 and 1993 c 492 s 433;
9 (41) RCW 48.43.030 and 1993 c 492 s 434;
10 (42) RCW 48.43.040 and 1993 c 492 s 435;
11 (43) RCW 48.43.050 and 1993 c 492 s 436;
12 (44) RCW 48.43.060 and 1993 c 492 s 437;
13 (45) RCW 48.43.070 and 1993 c 492 s 438;
14 (46) RCW 48.43.080 and 1993 c 492 s 439;
15 (47) RCW 48.43.090 and 1993 c 492 s 440;
16 (48) RCW 48.43.100 and 1993 c 492 s 441;
17 (49) RCW 48.43.110 and 1993 c 492 s 442;
18 (50) RCW 48.43.120 and 1993 c 492 s 443;
19 (51) RCW 48.43.130 and 1993 c 492 s 444;
20 (52) RCW 48.43.140 and 1993 c 492 s 445;
21 (53) RCW 48.43.150 and 1993 c 492 s 446;
22 (54) RCW 48.43.160 and 1993 c 492 s 426;
23 (55) RCW 48.43.170 and 1993 c 492 s 431;
24 (56) RCW 48.01.210 and 1993 c 462 s 51;
25 (57) RCW 48.20.540 and 1993 c 492 s 283;
26 (58) RCW 48.21.340 and 1993 c 492 s 284;
27 (59) RCW 48.44.480 and 1993 c 492 s 285;
28 (60) RCW 48.46.550 and 1993 c 492 s 286;
29 (61) RCW 48.42.060 and 1984 c 56 s 1;
30 (62) RCW 48.42.070 and 1989 1st ex.s. c 9 s 221, 1987 c 150 s 79,
31 & 1984 c 56 s 2;
32 (63) RCW 48.42.080 and 1984 c 56 s 3;
33 (64) RCW 70.170.100 and 1993 c 492 s 259, 1990 c 269 s 12, & 1989
34 1st ex.s. c 9 s 510;
35 (65) RCW 70.170.110 and 1993 c 492 s 260 & 1989 1st ex.s. c 9 s
36 511;
37 (66) RCW 70.170.120 and 1993 c 492 s 261;
38 (67) RCW 70.170.130 and 1993 c 492 s 262;
39 (68) RCW 70.170.140 and 1993 c 492 s 263;

1 (69) RCW 48.44.490 and 1993 c 492 s 288; and
2 (70) RCW 48.46.560 and 1993 c 492 s 289.

3 NEW SECTION. **Sec. 10.** CODIFICATION DIRECTION. Sections 3 and 4
4 of this act shall constitute a new chapter in Title 48 RCW.

5 NEW SECTION. **Sec. 11.** CODIFICATION DIRECTION. Sections 5 through
6 8 of this act are each added to chapter 48.43 RCW.

7 NEW SECTION. **Sec. 12.** CAPTIONS NOT LAW. Captions as used in this
8 act constitute no part of the law.

9 NEW SECTION. **Sec. 13.** EFFECTIVE DATE. This act shall take effect
10 January 1, 1996.

11 NEW SECTION. **Sec. 14.** SAVINGS CLAUSE. This act shall not be
12 construed as affecting any existing right acquired or liability or
13 obligation incurred under the sections amended or repealed in this act
14 or under any rule or order adopted under those sections, nor as
15 affecting any proceeding instituted under those sections.

16 NEW SECTION. **Sec. 15.** SEVERABILITY CLAUSE. If any provision of
17 this act or its application to any person or circumstance is held
18 invalid, the remainder of the act or the application of the provision
19 to other persons or circumstances is not affected.

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